

CREATED 11/13/10

## **Waterworks District No. 2**

### **Financial Statements**

**For the Year Ended June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-11-2006

**Waterworks District No. 2**  
**Financial Statements**  
**For the Year Ended June 30, 2005**

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**Waterworks District No. 2**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2004 and 2005**

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My discussion and analysis of Waterworks District No. 2 (the District), provides an overview of the District activities for the years ended June 30, 2005 and 2004. Please read it in conjunction with the basic financial statements. The intent of this discussion and analysis is to look at the District's financial performance as a whole.

**FINANCIAL HIGHLIGHTS**

- The assets of the District, exceeded its liabilities at the end of the 2005 fiscal year by \$170,313. Of this amount, \$52,649 is unrestricted. For the 2004 fiscal year, the assets of the District, exceeded its liabilities \$150,969. Of this amount, \$23,305 is unrestricted.
- The District total net assets increased by \$19,344 for the fiscal year ended June 30, 2005. The District total net assets decreased by \$2,200 for the fiscal year ended June 30, 2004.
- Capital assets increased by \$16,612 and 712,398 for the fiscal years ended June 30, 2005 and 2004.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components:

- *Managements Discussion and Analysis*
- *The financial statements.*
- *Notes to the financial statements.*
- *Required Supplementary Information*
- *Other Supplementary Information*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's net assets for the 2004-2005 fiscal year increased by \$19,344. The District's net assets for the 2003-2004 fiscal year decreased by \$2,700.

### **Statement of Net Assets**

The following table reflects the condensed net assets:

	2,005	2004
<b>Assets:</b>		
Current and Restricted Assets	\$ 120,707	\$ 233,040
Capital Assets	752,369	748,296
Total Assets	<u>\$ 873,076</u>	<u>\$ 981,336</u>
<b>Liabilities:</b>		
Long-term Debt Outstanding	\$ 685,801	\$ 618,008
Current Liabilities	16,962	212,359
Total Liabilities	<u>702,763</u>	<u>830,367</u>
<b>Net Assets:</b>		
Invested in Capital Assets Net of Debt	\$ 47,664	\$ 47,664
Restricted Net Assets	70,000	80,000
Unrestricted Net Assets	52,649	23,305
Total Net Assets	<u>170,313</u>	<u>150,969</u>
Total Liabilities and Net Assets	<u>\$ 873,076</u>	<u>\$ 981,336</u>

Net assets (assets less liabilities) may serve over time as a useful indicator of financial position. The District's assets exceeded liabilities by \$ 170,313 at the close of the 2005 fiscal year. The District's assets exceeded liabilities by \$150,969 at the close of the 2004 fiscal year.

### **Statement of Activities**

The following table shows the revenues and expenses of the governmental and business type activities.

	2,005	2004
Charges for services	\$ 90,950	\$ 75,434
Costs of Sales	33,521	38,472
Gross Profit	57,429	36,962
Operating Expenses	52,710	40,553
Operating Income/Loss	4,719	(3,591)
Other Income/Expense	14,625	891
Net Income/Loss	19,344	(2,700)
Net Assets at Beginning of Year	150,969	153,669
Net Assets at End of Year	<u>\$ 170,313</u>	<u>\$ 150,969</u>

## **Revenues by Sources**

### Operating Revenues

Operating revenues consist of charges for services, penalties and adjustments, and meter installations and connection fees. The percentage that each item contributed to total operating revenues is shown below for the fiscal years ended June 30:

	<u>2005</u>	<u>2004</u>
Water revenues – Residential	76.54%	80.23%
Water revenues – Commercial	15.65	15.16
Penalties and Adjustments	.55	.68
Meter Installations and connection fees	7.26	3.93

Water purchases is the largest expenditure for the District, representing 36.86% and 49.00% of operating revenues for the years ended June 30, 2005 and 2004.

## **Capital Assets and Debt Administration**

The District's investment in Capital assets amounted to \$752,369 and \$748,296 (net of depreciation) as of June 30, 2005 and 2004. This investment includes land, buildings and improvements, equipment, water distribution system and construction in progress. Outstanding debt included \$65,000 and \$80,000 in water revenue bonds and \$625,849 and \$556,780 in Utility Relocation Assistance Funding from the Louisiana Department of Transportation and Development.

The District recognized \$12,539 and \$2,576 in depreciation expense for the fiscal years ended June 30, 2005 and 2004. The District invested \$16,612 and \$671,833 in its water distribution system for the years ended June 30, 2005 and 2004. These additions were primarily related to the expansion of U.S. Highway 167.

The District received grant funds from the State of Louisiana in the amount of \$15,000 for the fiscal year ended June 30, 2005. The grant funds were to assist the District with costs related to the capital improvements related to the expansion of U. S. Highway 167.

## **Economic Factors and Future Rates**

The Board of Commissioners and management are constantly reviewing economic factors within the District and the surrounding area and current financial data in order to make decisions that would be in the best interest of the District. The Board and management are vigilant when considering balancing the District's needs while, at the same time, maintaining costs at levels consistent with the previous year. If management's estimates about future operating results remain consistent, the net asset balance of the District would be expected to remain level or increase modestly over the prior year.

### **Request for Information**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Districts Office, 116 Pinecrest Drive, Ruston, Louisiana 71270.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

I have audited the accompanying basic financial statements of Waterworks District No. 2, a component-unit of the Lincoln Parish Police Jury, as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 2, as of June 30, 2005, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2005, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information beginning on page 21 is presented for purposes of additional analysis and is not required part of the general purpose financial statements of Waterworks District No. 2. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Darlen A. Breun, CPA*

Ruston, Louisiana  
August 31, 2005



## **Financial Statements**

**Waterworks District No. 2**  
**Statement of Net Assets**  
**Enterprise Fund**  
**June 30, 2005**

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 5,830
Accounts Receivable - Customers	11,276
Refund Receivable	9,319
Unbilled Revenues	1,550
Sales Tax Refunds Receivable	12
Prepaid Insurance	<u>1,433</u>
<b>Total Current Assets</b>	<b>29,420</b>

**Restricted Assets**

Bond Reserve Fund	7,119
Bond Sinking Fund	8,000
Certificate of Deposit - Customer Meter Deposits	6,168
Certificate of Deposit - Capital Expenditures	<u>70,000</u>
<b>Total Restricted Assets</b>	<b>91,287</b>

**Property and Equipment**

Water System	827,589
Buildings	5,667
Office Equipment	3,877
Land	<u>800</u>
Total Property and Equipment	837,933
Less: Accumulated Depreciation	<u>(85,564)</u>
<b>Net Property and Equipment</b>	<b><u>752,369</u></b>

**Total Assets**

**\$ 873,076**

## LIABILITIES AND NET ASSETS

### Current Liabilities

Current Portion of Long-Term Debt	\$ 4,548
Accounts Payable	-
Accrued Water Purchases	4,800
Accrued Interest on Bonds	869
<b>Total Current Liabilities</b>	<u>10,217</u>

### Liabilities Payable From Restricted Assets

Customer Meter Deposits	<u>6,745</u>
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### Long Term Liabilities

Waterworks Improvement Bonds Payable	65,000
Loan Payable - LA Department of Transportation & Development	620,801
<b>Total Long-Term Liabilities</b>	<u>685,801</u>

<b>Total Liabilities</b>	<u>702,763</u>
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### Net Assets

Investment in Capital Assets, Net of Related Debt	47,664
Net Assets - Restricted	70,000
Net Assets - Unrestricted	52,649
<b>Total Net Assets</b>	<u>170,313</u>

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 873,076</u></u>
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The accompanying notes are an integral part of this financial statement.

**Waterworks District No. 2**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Enterprise Fund**  
**For the Year Ended June 30, 2005**

**Operating Revenues**

Charges for Services	
Water Revenues - Residential	\$ 69,617
Water Revenues - Commercial	14,232
Penalties and Adjustments	501
Meter Installations and Connection Fees	6,600
<b>Total Revenues &amp; Gains</b>	<u>90,950</u>

**Cost of Sales**

Water Purchases	<u>33,521</u>
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<b>Gross Profit</b>	<u>57,429</u>
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**Operating Expenses**

Accounting & Audit	9,300
Bad Debts	586
Bank Service Charges	16
Contract Services	13,430
Depreciation	12,539
Electricity	130
Insurance	2,233
Miscellaneous	400
Office Supplies	1,074
Postage	855
Repairs & Maintenance	8,096
Sales Tax	485
Supplies	459
Telephone	804
Vehicle Mileage	2,303

<b>Total Operating Expenses</b>	<u>52,710</u>
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Operating Income	4,719
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**Other Income/(Expense)**

Interest Income	1,916
Grant - LA Dept of Transportation	15,000
Miscellaneous Income	81
Interest on Bonds	(2,372)
<b>Total Other Income</b>	<u>14,625</u>

<b>Net Income</b>	19,344
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<b>Net Assets at Beginning of Year</b>	150,969
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<b>Net Assets - End of Year</b>	<u><u>\$ 170,313</u></u>
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The accompanying notes are an integral part of this financial statement.

**Waterworks District No. 2**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Year Ended June 30, 2005**

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**Cash Flows From Operating Activities**

Receipts from Customers and Users	\$ 88,815
Payments to Suppliers for Goods and Services	(143,464)
Payments to Contractors for Services	(13,430)
Net Cash Provided by Operating Activities	<u>(68,079)</u>

**Cash Flows From Non-Capital Financing Activities**

Increase in Customer Meter Deposits	1,005
Decrease in Restricted Assets	7,009
Net Cash Used by Financing Activities	<u>8,014</u>

**Cash Flows From Capital and Related Financing Activities**

Capital Expenditures	(16,612)
Principal Payments on Bonds	(15,000)
Interest Paid on Bonds	(2,372)
Other Receipts	81
Proceeds from Grant	15,000
Net Cash Used by Financing Activities	<u>(18,903)</u>

**Cash Flows From Investing Activities**

Increase in Certificates of Deposit	(91)
Interest Received	1,916
Proceeds From Certificates of Deposit	10,000
Proceeds From Loan From La Dept of Trans & Dev	64,021
Net Cash Provided by Investing Activities	<u>75,846</u>

<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(3,122)</b>
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<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>8,952</u></b>
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<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$ 5,830</u></u></b>
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The accompanying notes are an integral part of this financial statement.

**Waterworks District No. 2**  
**Statement of Cash Flows (Continued)**  
**Enterprise Fund**  
**For the Year Ended June 30, 2005**

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**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities:**

<b>Operating Income:</b>	<b>\$ 4,719</b>
<b>Adjustments to Reconcile Net Assets to Net Cash provided by Operating Activities:</b>	
Depreciation	12,539
Increase in Accounts Receivable - Customers	(2,135)
Increase in Refund Receivable	(9,319)
Increase in Unbilled Revenue	(350)
Decrease in Loan Receivable	104,009
Increase in Prepaid Assets	(148)
Decrease in Sales Tax Refunds Receivable	236
Increase in Current Portion of Long-Term Debt	4,548
Decrease in Accounts Payable	(147,420)
Decrease in Retainage Payable	(37,217)
Decrease in Accrued Interest	(191)
Increase in Accrued Water Purchases	2,650
<b>Net Cash Provided (used) by Operating Activities</b>	<b><u>\$ (68,079)</u></b>

The accompanying notes are an integral part of this financial statement.

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Activities**

Waterworks District No. 2, (the "District") pursuant to Louisiana revised Statute 33:3811, was created by Ordinance 300, dated July 13, 1965, adopted by the Lincoln Parish Police Jury. The District, which serves commercial and residential customers in and around Vienna, Louisiana, was completed and became revenue producing during the month of May, 1966.

The District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:514 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

**Basis of Presentation**

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued *Statement 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and *Statement 35 Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that government should have presented in the past. Comparability with reports issued in years prior to 2004 is affected.

Other GASB Statements are required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the District has implemented the following GASB Statements: *Statement 37 – Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and *Statement 38 – Certain Financial Statements Note Disclosures*.

The accompanying financial statements present the financial position of the District, the results operations of the District, and the cash flows of the proprietary fund. The financial statements are presented as of June 30, 2005 and for the year then ended.

**Financial Reporting Entity**

As the governing authority of the parish, for reporting purposes, the Lincoln Parish Police Jury is the financial reporting entity for Lincoln Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Lincoln Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and;
2. The ability of the police jury to impose its will on that organization and/or
3. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
4. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
5. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Lincoln Parish Police Jury Ordinance 300, dated July 13, 1965, created Waterworks District No. 2, set forth and defined its boundaries, designated its name and number, designated its domicile, its powers and its commissioners, designated the minimum number of meetings of the commissioners and their compensation, set forth the qualifications of the commissioners, designated the maximum amount of salary which may be paid the secretary of the board of commissioners, and designated the officers to be elected by the board of commissioners.

Because of the above criteria, the District was determined to be a component unit of the Lincoln Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise reporting entity.

**Fund Accounting**

The Waterworks District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.



**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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The Waterworks District No. 2 Enterprise Fund is classified in the following category and fund type.

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**Property, Plant and Equipment**

Public domain (infrastructure) assets including the waterline distribution system are capitalized along with other fixed assets and are included on the proprietary fund's balance sheet.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated service lives using the straight-line method. The estimated service lives are as follows:

Office Equipment	5-10 Years
Storage Building	20 Years
Waterline Distribution	20-50 Years

Depreciation on the proprietary fund amounted to \$12,539 for the year ended June 30, 2005. All property, plant and equipment are recorded at historical cost with the exception of donated property, plant and equipment which are recorded at their estimated fair value of \$8,164 on the date donated.

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**Budgets and Budgetary Accounting – Legal Compliance**

Waterworks District No. 2 is not legally required to adopt a budget and has not done so. Encumbrance accounting is not used.

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes amounts in demand deposits and interest bearing demand deposits, as well as short-term certificates of deposits with a maturity date within three months of the date acquired by the District. Certificates of deposit and other securities with original maturities over three months are classified as short-term investments and stated at cost, which approximates market value.

**Investments**

The District is authorized to make direct investments in United States government bonds, treasury notes, treasury bills or certificates, or times certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.

**Net Assets**

Reserves are recorded to indicate that a portion of the net assets is segregated for a specific future use. The reserved account, "for capital expenditures" is used to segregate a portion of net assets for capital expenditures.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**2. RESTRICTED ASSETS**

Certain assets of the District have been restricted for customer meter deposits and capital expenditures. These assets consist of short-term investments as follows:

<u>Certificates of Deposit</u>	<u>2005</u>
Customer Meter Deposits	\$ <u>6,168</u>
Capital Expenditures	\$ <u>70,000</u>

**3. CASH AND CASH EQUIVALENTS**

Cash and certificates of deposit are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2005, the District had \$108,628 in deposits (collected bank balances) which were adequately secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of Waterworks District No. 2.

**4. RECEIVABLES**

All accounts receivable are considered by management to be fully collectible and no allowances for doubtful accounts are considered necessary.

**5. SEGMENT INFORMATION – ENTERPRISE FUND**

The Waterworks District maintains an enterprise fund which is intended to be self-supporting through user fees charged for water service to the public. Financial segment information as of and for the year ended June 30, 2005, is presented below.

Property and equipment additions	16,612
Operating revenues	90,950
Depreciation	12,539
Operating Income	4,719
Net Income	19,344
Net working capital	94,423
Total assets	873,076
Net assets	170,313

**6. PROPERTY, PLANT AND EQUIPMENT**

A summary of proprietary fund type property, plant and equipment at June 30, is as follows:

Office Equipment	\$3,877
Buildings	5,667
Water Distribution System	827,589
Land	<u>800</u>
Totals	837,933
Accumulated Depreciation	<u>(85,564)</u>
Net	<u>\$752,369</u>

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**7. LONG-TERM DEBT**

**Revenue Bonds**

The District issued revenue bonds during the fiscal year ended June 30, 2004. Proceeds from the bonds are to be used to for the relocation and upgrade of water lines in conjunction with the U.S. Highway 167 expansion project.

\$80,000 Revenue Bonds, Series 2004 dated  
 02-03-2004 due n annual installments of  
 \$15,000 to \$ 17,000 through February 1, 2009,  
 Interest at 0% to 3.790% \$65,000

**Other Long-Term Liabilities**

The District entered Utility Relocation Assistance Funding agreement (URAF) with the Louisiana Department of Transportation and Development as part of the expansion of U.S. Highway 167. The maximum amount of this funding will be \$667,496 and will be based on actual const of relocation.

\$667,496 Utility Relocation Assistance Funding (URAF)  
 dated May 6, 2003 due in annual installments equal to 5%  
 of the District's gross income at zero percent interest. \$625,349

The annual requirements to amortize all debt outstanding as of June 30, 2005, including interest requirements, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
2006	\$23,300	\$2,084	\$25,384
2007	21,150	1,592	22,742
2008	21,150	1,062	22,212
2009	21,150	530	21,680
2010	21,150		21,150
2011 - Thereafter	582,449		582,449
Totals	<u>690,349</u>	<u>\$5,268</u>	<u>\$695,617</u>

Interest paid on bonds during the fiscal year ended June 30, 2005 was 2,563. Interest expense for the fiscal year was \$2,372.

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**8. CONCENTRATIONS OF CREDIT RISK**

The District grants credit without collateral in excess of customers' deposits. Customers are local area residents and commercial entities within the Waterworks District.

**9. WATER REVENUE**

A summary of water sales to metered customers for the years ended June 30 is presented below:

	<u>2005</u>
Sales to Customers	\$ 83,849
Number of Customers at June 30	214

Information regarding gallons of water sold and purchased is as follows:

<u>Description</u>	<u>2005</u>
Gallons Sold	21,441,804
Gallons Purchased	<u>28,386,600</u>
Gallons Purchased in Excess Sales	<u>(6,944,796)</u>

The above discrepancies are consistent with prior year and the cause has not been completely determined.

**10. WATER CONTRACTS**

Waterworks District No. 2 purchases its water from the City of Ruston. Purchases of water by Waterworks District No. 2 was \$33,521 for the year ended June 30, 2005.

On April 29, 1997, the Waterworks Board of Commissioners adopted a resolution to approve a new contract with the City of Ruston to supply water as presented below.

The unit price per 100 cubic feet is based on the city's audited operating cost per 100 cubic feet sold times 10% plus a capacity charge. The initial and minimum price per 100 cubic feet is 0.825.

The agreement is for five years with an option to renew for additional five-year terms. The Waterworks District has requested a renewal of the contract and is presently waiting on a response from the City of Ruston. The City may terminate the agreement at any time with a provision to supply water for a period of twelve months from

**Waterworks District No. 2**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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notice. The contract was adopted by the Board of Alderman of the City of Ruston, and the contract was executed on September 30, 1997.

The current billing rates which have been effective since the billing period ended November 25, 1997, are as follows:

Base Rate-first 2,000 gallons	\$	9.50 per month
2,001 to 5,000 gallons	\$	2.10 per 1,000 gallons
5,001 to 10,000 gallons	\$	1.70 per 1,000 gallons
Over 10,000 gallons	\$	1.30 per 1,000 gallons

**11. COMMITMENTS AND CONTINGENT LIABILITIES**

At June 30, 2005, there was no pending or contemplated litigation involving Waterworks District No. 2 which might involve contingent liabilities.

**12. COMMISSIONERS COMPENSATION**

No compensation was paid to any members of the Board of Commissioners during the year ended June 30, 2005. Board members who served during the current fiscal year are listed below.

<u>Commissioner</u>	<u>Compensation</u>
Elaine Levy	None
William R. Graham	None
Harold Parker	None
Bill Hogan	None
Wayne Herren	None
Keith Brasuell	None
Winston McVea, Jr.	None
Darryl Johnson	None

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## **Other Supplemental Information**

**Waterworks District No. 2  
Supplementary Information  
Schedule of Investments  
June 30, 2005**

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	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Book Value</u>
ENTERPRISE FUND				
<u>Community Trust Bank</u>				
Certificate of Deposit - Water System Revenue Fund	2.26%	10/13/2004	10/13/2005	\$ 70,000
Certificates of Deposit - Customer Meter Deposits	2.35%	3/31/2005	3/31/2006	6,168
Total Enterprise Fund				<u>\$ 76,168</u>

See accompanying notes.



# **Douglas A. Brewer, CPA**

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

I have audited the basic financial statements of Waterworks District No. 2, as of and for the year ended June 30, 2005, and have issued my report thereon dated August 31, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the District, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Dash A. Brewer, CPA*

August 31, 2005  
Ruston, Louisiana

**Waterworks District No. 2**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2005**

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**Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements for the year ended June 30, 2005.
2. No reportable conditions were disclosed during the audit of the financial statements in the *Report on Compliance and on Internal Control Over Financial Reporting* Based on an audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

**Findings – Financial Statements Audit Reportable Conditions**

N/A

**Waterworks District No. 2**  
**Summary Schedule of Prior Findings**  
**For the Year Ended June 30, 2005**

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**Internal Control and Compliance Material to the Financial Statements**

No reportable conditions were disclosed during the audit of the financial statements in the Report on Compliance and on Internal Control Over Financial Reporting Based on an audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

**Management Letter**

No management letter was issued.

**Waterworks District No. 2  
Management's Corrective Action Plan  
For the Year Ended June 30, 2005**

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**Findings – Financial Statements Audit Reportable Conditions**

N/A